

# AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

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May 16, 2007

**Gary Penrod, Sheriff**  
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**SUBJECT: AUDIT OF THE VOYAGER FUEL CREDIT CARDS MANAGED BY THE  
SHERIFF'S DEPARTMENT**

## Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, and Chapter 2 of the Internal Controls and Cash Manual, we have completed an operational audit of the Voyager Fuel Cards managed by the Sheriff's Department (Department). Our audit was conducted in accordance with the standards developed by the Institute of Internal Auditors.

## Background

The mission of the Department is to provide professional public safety services to residents and visitors of San Bernardino County. To accomplish this mission, the Department must provide law enforcement services over the 20,186 square mile area through 10 County-owned stations, 14 City-owned stations, and 4 correctional facilities.

To promote the Department's responsiveness, the Board of Supervisors authorized the Department to participate in the single fleet fueling credit card program beginning February 29, 2000. The intent of the Board was to ensure an alternative fuel source is available when outside the vicinity of a County-owned fueling site. The arrangement is based on the State of California contract number DGS-OFA-97FC, which allows the County to utilize the Voyager Fleet Systems credit card under the terms of the State's contract. The current contract extension expires on October 31, 2009.

As of December 31, 2006, the Department had two Voyager fuel credit card accounts for a combined total of 1,228 active cards distributed among 85 cost centers. Unless individually canceled by Automotive Division personnel, cards for the first account are

valid through March, 2009, while cards on the second account will expire in April, 2009. The Department authorizes the use of the Voyager fuel credit cards for gasoline, diesel, propane, and car wash jobs, as well as for emergency repairs.

Fuel activity reports generated by the Voyager Fleet System may be summarized at the cost center level, as well as detailed to reflect transactions for individual fuel cards and individual vehicle numbers. The Automotive Division staff receives the monthly invoices and is responsible for researching repair billings or unusual items. Transfer requests to ensure user cost centers are appropriately charged are then prepared for processing through the County's Financial Accounting System (FAS). Automotive Division staff also prepares the payment voucher which is forwarded to the Department's Accounts Payable Section for approval then to the Auditor/Controller-Recorder's Office for processing. Total Voyager payments are approximately \$1,600,000 annually.

### **Scope of Audit**

Our overall objective was to determine whether the Voyager fuel cards were effectively managed. Specifically, we determined whether:

- Controls in place for Voyager fuel card management were reasonable.
- Voyager fuel cards were used only for allowable purchases, for assigned County vehicles, and for County business.
- Monthly billing statements were reconciled to supporting documentation, both by Sheriff's Department management, and user cost centers.

Our audit was for the period July 1, 2006 through December 31, 2006.

We conducted our audit according to the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors and included tests of the accounting records, inquiries, and other procedures considered necessary. We reviewed Sheriff's Department oversight and administrative functions, as well as user cost center internal controls over Voyager fuel cards.

A draft report was sent to the Sheriff's Department on July 13, 2007. The department's responses to our recommendations are included in this report.

### **Overall Conclusion**

As a result of our analysis and tests performed, we conclude that the Voyager Fuel Cards were not effectively managed. Management controls were not always in place to ensure the Voyager cards were only used for allowable purchases, and billing statements were not always verified for accuracy prior to payment. We identified several procedures and practices that could be improved, and these are stated below.

### **Findings and Recommendations**

#### **Finding 1:    Monthly Voyager invoices were not validated prior to payment.**

The County's Internal Controls and Cash Manual, Chapter 2, requires invoices be checked for accuracy and matched with supporting documentation before they are approved for payment. Further, any observed variances should be properly identified, followed up, and reconciliations reviewed by an employee not preparing the reconciliation.

However, we noted monthly bills were being paid without verification of the charges. For example, monthly Voyager billings, averaging over \$138,000 per month, were not validated, by Management or sub-stations, prior to payment of the vendor's invoice.

Because the Department does not have a process to validate and reconcile the monthly Voyager billings, inaccurate or fraudulent charges could be paid by the County.

#### **Recommendation:**

The Sheriff should ensure a reconciliation of the monthly Voyager invoice to cost center charges is performed prior to payment. Considering the large number of Voyager cards in the Department's possession, the Captain should require all stations/sub-stations validate their Voyager transactions, providing the Automotive Division with a written statement of the validity of the charges.

#### **Management's Response:**

The Department agrees with the finding that no validation is occurring prior to payment. The department will adopt new procedures by October 1, 2008 that will rectify the situation.

#### **Finding 2:    Management did not provide users with written guidance for the use of the Voyager fuel cards.**

The County's Internal Controls and Cash Manual, Chapter 2, requires operating policies and procedures be well documented and communicated to employees. Further, the State of California Standard Agreement requires participating governmental entities have internal procedures for the use of Voyager fuel cards.

However, during our audit, we noted that none of the 24 locations in our sample had written procedures in place regarding the use of assigned Voyager fuel cards. Management, both at Administration and user locations, stated that written guidance was not provided to staff when cards were issued.

**Finding 2:**     **Management did not provide users with written guidance for the use of the Voyager fuel cards. - *Continued***

The lack of written instructions regarding the use of the Voyager fuel cards could result in some employees being unaware of the limitations attached to the use of these cards, further resulting in the unauthorized expenditure of County funds.

**Recommendation:**

The Sheriff should prepare written procedures regarding the use of Voyager fuel cards. The procedures should address Administration's oversight responsibilities as well as station and individual card user responsibilities. The procedures should be distributed to all users and monitored to ensure compliance.

**Management's Response:**

The department agrees with the finding that no written procedures are in place to guide employees in the use of the Voyager fuel cards. The department will adopt new procedures by October 1, 2008 that will rectify the situation.

**Finding 3:**     **Management did not have a system to track the receipt of assigned fuel cards and periodic inventories were not conducted.**

Chapter 2 of the County's *Internal Controls and Cash Manual* states that all transactions and pertinent events should be accurately and properly recorded and that a complete physical inventory of assets should be taken periodically to insure that the assets exist and are completely accounted for.

During our test work, we noted:

- Nineteen (83%) of the 24 stations sampled did not have a record of the Voyager fuel cards received from the Automotive Division;
- None of the details provided by the remaining five stations maintaining a separate record matched the listing provided by the Automotive Division; and
- The master list maintained by the Department did not match the record maintained by the vendor, Voyager Systems, Inc. For example, the Department's list of active Voyager fuel cards included two cards which had been cancelled since 2003 and there was an overall variance of 17 cards observed.

These discrepancies existed because a physical inventory was not conducted periodically. Personnel at most of the stations stated that they were not aware they should keep a record of cards received and Department personnel stated they were not aware the master list did not match the vendor's.

**Finding 3:**     **Management did not have a system to track the receipt of assigned fuel cards and periodic inventories were not conducted. - *Continued***

Without accurate inventory records, cards could be misappropriated, lost or stolen and discrepancies might remain undetected.

**Recommendation:**

The Sheriff should:

1. Develop, distribute, implement, and monitor procedures designed to accurately record all cards received from the vendor and subsequently issued to stations/cost centers;
2. Verify, with the vendor, all active Voyager cards received by the Sheriff's Department, and immediately cancel all cards which cannot be accounted for; and
3. Periodically, at least semi-annually, inventory all cards in the Department's possession.

**Management's Response:**

The department agrees with the finding that management did not have a system to track the receipt of assigned fuel cards and periodic inventories were not conducted. The department will adopt new procedures by October 1, 2008 that will rectify the situation.

**Finding 4:**     **The Management logs used to record the distribution of the Voyager fuel cards were not properly maintained.**

The Automotive Division maintains the *Voyager Card Pick Up Sheet* to manually record the distribution of fuel cards to stations/sub-stations; and uses the *Voyager Loaner Cards log* to record the assignment of temporary cards (loaners).

Our review of sample entries made in the *Voyager Card Pick Up Sheet* during the audit period showed 3 of 30 entries were incomplete. Further, the *Voyager Loaner Cards log* was not always completed in a timely manner and historical data useful for reviewing the validity of transactions was not consistently maintained.

When the Management logs are not properly completed and reviewed, their effectiveness as tracking and monitoring tools is significantly reduced. The lack of complete data makes it difficult to assign accountability for any losses incurred and discrepancies may not be detected, researched, and resolved in a timely manner.

**Finding 4:**    The Management logs used to record the distribution of the Voyager fuel cards were not properly maintained. - *Continued*

**Recommendation:**

The Sheriff should ensure:

1.    Entries in the *Voyager Card Pick Up Sheet* are complete;
2.    All cards recorded on both the *Voyager Card Pick Up Sheet* and the *Voyager Loaner Cards log* are properly accounted for;
3.    Updates for both logs are done timely, and have adequate supporting documentation; and
4.    Management Logs are reviewed, at least monthly, to ensure these monitoring tools are operating as intended.

**Management's Response:**

The department agrees with the finding that the logs used to record the distribution of the Voyager fuel cards were not properly maintained. The department will adopt new procedures by October 1, 2008 that will rectify the situation.

**Finding 5:**    The process to ensure each cost center is appropriately charged needs to be improved.

Automotive Division staff prepares a monthly transfer report for each cost center for which Voyager fuel card activity was billed by the vendor. These reports are then forwarded to each cost center for review to verify the accuracy of the transferred charges.

However, we noted the following weaknesses in the process:

- A reconciliation of vendor payment to cost center charges transferred was not performed;
- A verification of charges remaining in the Automotive Division cost center was not consistently performed;
- Exemptions received for loaner transactions were not passed on to the cost centers charged;
- Nineteen (82%) of the 24 cost centers sampled did not review the transfer reports to verify the validity of charges; and
- Nineteen (82%) of the 24 stations sampled did not require supporting documentation, such as receipts, be submitted for purchases.

These conditions occurred because personnel stated they were not aware reported transactions should be reviewed to ensure the charges were valid. As a result, charges

**Finding 5:**    **The process to ensure each cost center is appropriately charged needs to be improved. - *Continued***

transferred to individual cost centers could be inaccurate, and fraudulent purchases could be made and remain undetected.

**Recommendation:**

The Sheriff should develop and implement procedures requiring:

1. A reconciliation of vendor payments to charges transferred be performed on a monthly basis by Automotive Division personnel;
2. Charges remaining in the Automotive Division cost center be consistently verified;
3. The vendor's electronic invoice is used to transfer net charges on loaner cards; and
4. Individual monthly transfer reports be consistently reviewed by all cost centers and the validity of charges verified.

**Management's Response:**

The department agrees with the finding that the process to ensure each cost center is appropriately charged needs to be improved. The department will adopt new procedures by October 1, 2008 that will rectify the situation.

**Finding 6:**    **There was no process to ensure each fuel card was used only for its assigned unit.**

Each Voyager fuel card is assigned to a specific unit and that unit number, which is pre-printed on the card, must be entered at the pump to activate the Voyager system. The Department uses an honor system to ensure that cards are used only for assigned units on Department business and transactions are billed monthly for each card and its matching unit number.

Our review of transactions during the audit period showed the same card had been used to purchase fuel, several times on the same day, sometimes within minutes. For example, fuel purchases were made for the same vehicle at 1:34 PM, 1:39 PM, and again at 1:47 PM on the same day.

These questionable transactions occurred because there was no process in place to ensure each assigned fuel card was used only for its assigned vehicle. Further, Department personnel stated there was no process in place to review the reasonableness of repeat, same-type, same-day purchases. Per Department management, in cases of emergency, the Department does not want to restrict re-

**Finding 6:     There was no process to ensure each fuel card was used only for its assigned unit. - *Continued***

fueling capabilities. However, without verifying fuel cards are only used for assigned units, the cards could be used to fuel non-County vehicles without being detected.

**Recommendation:**

The Sheriff should direct Department personnel to only use the Voyager card for the assigned unit. If the card is used for another cost center unit during an emergency, such use should be reported by the driver, verified by a supervisor, and the expenditure charged to the appropriate cost center.

**Management's Response:**

The department agrees with the finding that there is no process to ensure each fuel card was used only for its assigned unit. The department will adopt new procedures by October 1, 2008 that will rectify the situation.

**Finding 7:     Management did not review Voyager expenditures for reasonableness and validity.**

The County's Internal Controls and Cash Manual, Chapter 2, requires all payments and transfers be reviewed for reasonableness.

However, during our test of transactions for two months, we noted the following unexplained discrepancies:

1. Fifteen percent of gasoline purchases were for Plus and Super grade fuel although Department personnel informed us that employees have been told to purchase regular unleaded fuel only;
2. There were 5 instances when aviation fuel was recorded for a Ford Excursion and Bronco, although the vendor does not sell aviation fuel;
3. Fourteen vehicles appeared to use both gasoline and diesel fuel;
4. The Department does not perform a reasonableness check of gallons purchased compared to reported mileage;
5. Fuel purchased for a vehicle was sometimes greater than the recorded fuel capacity of that specific vehicle; and
6. The Department does not maintain a record of its vehicles' fuel capacity and the data maintained by Fleet Management is inaccurate since Fleet must adjust recorded fuel capacity data to enable Sheriff's Department purchases at County sites to be accepted and charged.

The Department did not review Voyager fuel card transactions for reasonableness and

**Finding 7: Management did not review Voyager expenditures for reasonableness and validity. - Continued**

validity. This lack of control over the use of Voyager cards could result in the unauthorized expenditure of County funds.

**Recommendation:**

The Sheriff should:

1. Prepare card use procedures that include recommended limitations on card usage, such as only using a set grade of fuel;
2. Distribute card use procedures to all card users; and
3. Monitor reported activity to ensure cards are used responsibly and only for approved County expenditures.

**Management's Response:**

The department agrees with the finding that management does not review Voyager expenditures for reasonableness and validity. The department will adopt new procedures by October 1, 2008 that will rectify the situation.

**General Auditor's Response:**

The Department acknowledged all noted deficiencies and has indicated that a plan of action to address the deficiencies will be written and implemented on or before October 1, 2008. A follow up audit will be conducted to determine if actions taken by the Department correct noted deficiencies.

Thank you very much for the cooperation extended by your staff during the course of this audit. A follow-up review will be conducted during the next audit cycle.

Respectfully submitted,

**Larry Walker**  
Auditor/Controller-Recorder

By: \_\_\_\_\_  
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